

The MORTGAGE BANKER

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MORTGAGE INTEREST RATES

Will Go Higher in the Next 5 Years, Say Experts

TWO years ago the long bull market in bonds clearly was nearing its end and we faced a period of rising interest rates and bond yields. Today the uncertainties are much greater than they were then and the outlook less clear.

We are in a "twilight zone" when, though we are not actively engaged in



Murray Shields
boom which has been prolonged only by the application of a series of economic stimulants.

These are curiously confused times. The money markets were disturbed for weeks on end waiting for the decision of the Secretary of the Treasury as to whether he would permit the offering rate on treasury certificates to rise by a mere one-eighth of one per cent. And his refusal to do so against the counsel of the Federal Reserve officials spoke volumes on the relative weight given to economic and political considerations. From high echelons of officialdom we are promised repeatedly that there shall be no sales below par in long-term governments but almost always with the proviso that the guaran-

By MURRAY SHIELDS

*Vice President
Bank of the Manhattan Company
New York*

ties apply to the foreseeable future—whatever period of days, or weeks, or months, or years that may imply. Many of those who believed in September that the big problem was to stop government securities from rising in price were soon taking the view that without substantial support by the Federal Reserve Banks the market would collapse. And many of those who took panic and sold their securities on the decline are now re-entering the market.

The money markets have the feel of uncertainty. The Government has pegged the 2½s but no one seems to be very comfortable about it. The values on which our investments rest

may be such as to warrant use of the word "riskless" but it is now far from certain that this implies absence of fluctuations in prices. We shall have to wait, I am afraid, for many such questions to be clarified before we will be entitled to take a more nearly positive view of the immediate prospect.

Therefore, these observations concern the decade ahead instead of the nearby perplexities. And here, I think, we can say that it will be surprising if over the coming decade we do not witness a reaffirmation of old-fashioned precepts as to interest rates and a calling into question of many of the theories which have played so important a role in government fiscal and monetary policies during the past 15 years. We may witness such profound changes and turbulent fluctuations in business, prices, and finance as to do violence to many of the notions of the day concerning interest rates, the role they play in our economy, the influences which affect them and their relation to government policy.

Therefore, let us explore briefly some of the areas in which events of the future may well force a reorientation of our thinking about interest rates.

1. *We shall probably be more and more disposed in the decade ahead to take the view that the level of interest rates and bond yields is less important to our national welfare than many other factors such as the soundness of*

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our credit system, the strength of the institutions of savings, the adequacy of savings in relation to the demand for funds in an expanding economy, and the protection of the purchasing power of our money and of our savings. The strength of conviction that these are all more vital than the cost of credit to the Treasury or the prices of its obligations may well be increased and we shall probably recognize that too-low interest rates represent an open invitation to the sort of monetary expansion which converts productive prosperity into an inflationary boom.

2. *Stability of interest rates and bond yields may well cease to be the over-riding objective of government fiscal and banking policies.* We probably shall have to learn from hard experience that stable interest rates contribute to instability in business and that fluctuations in the price of credit are essential if the intricate mechanisms of money and credit are to fulfill their proper function within the economy.

"Grow Up" to Our Debt

3. *We shall probably decide that the way to deal with a public debt of the magnitude of that we inherited from the depression and the war is to grow up to it.* Nations can take care of a burdensome debt in three ways: they can repudiate it through inflation, they can reduce it rapidly by backbreaking taxes, or they can release the forces making for business expansion and grow up to the debt. The first is an intolerable solution for a nation with high standards of financial integrity. The second is politically difficult if not impossible to accomplish. It is quite possible, therefore, we shall decide that the most practicable method is to match yesterday's rise in the debt with tomorrow's expansion in production and income. While there is much to commend a policy of rapid payoff of the federal debt we may decide to reduce taxes as a stimulant to business and hope that the revenues will be large enough to enable us to pay the debt down moderately. This we did following World War I, and we again face an opportunity to do so for we are in the pilot plant stage of a revolution in industrial technology so profound as to provide the basis for one of the greatest expansions in pro-

You will find no lack of authorities willing to chart the immediate future but not many who are willing to attempt predictions of what lies ahead during the next ten years—particularly in the money markets.

The author of this timely analysis of the outlook for interest rates does just that and bases his conclusions on what seems to us to be some pretty solid reasoning.

Briefly, Mr. SHIELDS contends that the government's role in controlling interest rates is likely to be increasingly less important in the years ahead and that our old-fashioned precepts of interest rates will again predominate. The shortage of capital is world-wide in scope and has its origin in the universal socialization of the tax structure, he says.

Of particular interest are the conclusions of 28 students of investment trends as to yields over the next five years. Note particularly that one-half say mortgage rates will be moderately higher, another ten say materially higher, only four think about the same and none say lower.

duction in the world's history. We shall realize such vast potentialities only if we adapt our policies to the necessities of a high investment economy, but that is our tradition and I think we shall not long tolerate policies which hold obviously necessary expansion in check.

4. *Representations by governmental officials of their intention to control or to set the pattern of interest rates probably will, as the years go by, be taken much less seriously than has been the case of late.* Their record has in fact been less than impressive. At the end of the war, governments of most nations were determined to hold interest rates and bond prices at the wartime levels. They labored under the illusion that they could do so, and fiscal and central bank officials issued statements declaring that no material declines in bond yields or advances in interest rates would be tolerated.

But the record is one of rise in bond yields and in fact the past two years may be described as a postwar bear market in government bonds. French obligations are about 28 points under where they were early in 1945, British Consols are off around 23 points in the past year and a half, Belgian bonds have declined about 16 points. Canada dropped the pegs about 5 points not long ago, Swiss bonds are off about 3 points. In Sweden and the Netherlands the declines have been moderate, but in the former case only at the expense of heroic support by the Central Bank. And our own government securities declined sharply a few months ago, as we all know only too well. Government power to control prices seems never to be quite as effective as officials assume it to be and we are learning that it is just as true of credit as it is of commodities that in the long run price controls are not likely to work very well.

Capital Shortage World-Wide

5. *While interest rates and bond yields will, of course, be responsive to changes in demand as business ebbs and flows, the trend over the longer future is likely to reflect the threat of a world-wide shortage of capital.* Just as wage rates and commodity prices trend upward when workers and supplies are short in relation to demand, a persistent capital shortage would give an upward lift to the trend of the price of money.

The shortage of capital is worldwide in scope, for it has its origin in the well-nigh universal socialization of the tax structure which constricts savings in the high savings income brackets. Meanwhile the world is at the beginning of a period of vigorous expansion in industrial capacity occasioned by the rapid expansion in population, the inability of industry to expand in the long years of the depression, the vast destruction during the war, and the technological changes which offer an opportunity to expand capacity and to industrialize the less well developed areas of the world. And the demand of most of the world for capital expansion converge on this country so that the pressures for new funds should in time find response in our securities markets.

6. "Where is the money coming from?" is a problem we shall probably have to face in depression as well as in prosperity. It is now granted that it will be difficult with a socialized tax structure to generate the vast amounts of equity and debt funds needed by industry in periods of good business. But it is not so generally appreciated that the Government may face a very real and possibly no less difficult problem of raising funds in a period of depression. Our government is counted on to spend billions of dollars to shore up the economy in case private business slumps. It is expected to engage in great public works and relief programs in case private employment falls off. It has insured tens of billions of deposits, billions of mortgages and the level of agricultural prices. It will have to supply billions of unemployment insurance funds in case of need. It has tens of billions of demand obligations outstanding which holders may redeem in depression.

But where will the Government get all these funds? The debt is already a quarter of a trillion dollars, the Government is already collecting and spending about \$40 billions in taxes per annum but the "leverage" in our tax system is high and revenue would decline sharply if business slumps. Where will the money come from for the Government to use in preventing a slump from developing into a long depression? Perhaps we shall have to search for means of stimulation other than through heavy government outlays. If so, this is a problem our financial statesmen might well be facing up to now, for it will be dangerous to approach a period of business reverses without a sound, realistic and carefully thought out program of action.

7. The years ahead may well give the nation's financial institutions reason to retain their faith in time tested standards of financial strength. The government has been on a fifteen year financial binge and this clearly is no time to be lulled into a sense of false security as to the need for real quality in loans and investments, the appropriateness of carefully adjusted maturity positions, and the essentiality of old-fashioned standards of credit worthiness. It is interesting to note that the liabilities of the business failures in

OPINIONS OF 28 LEADING EXPERTS ON THE LEVEL OF INTEREST RATES AND BOND YIELDS FIVE YEARS FROM NOW

Yields on mortgages	
lower	0
about the same	4
moderately higher	14
materially higher	10
Yields on long Governments	
lower	0
about the same	11
moderately higher	14
materially higher	3
Yields on long high grade corporate bonds	
lower	0
about the same	4
moderately higher	14
materially higher	10
Yields on Treasury Certificates	
lower	0
about the same	2
moderately higher	12
materially higher	14

the past half decade have aggregated less than half what they were in the single year 1932 and even less than in the average years of the prosperous twenties. Such a condition may not last indefinitely.

8. *We may have occasion profoundly to recast our thinking about price-earning ratios and bond yields in relation to their "real" level after taxes.* How else can a corporation build its capital than through retained earnings if access to the new issue markets is not readily available? And is not a yield of 8 per cent today no higher than 4 per cent in the years before really backbreaking taxes were levied? It has become the custom in some quarters to assume that wages have to go up whenever necessary to prevent a decline in the purchasing power to take home pay. Should we not give some allowance for the take home pay of investors, and are not yields on stocks and bonds likely in time to make adjustment if the tax authorities do not?

The conclusion to which these considerations point is that despite the many elements of uncertainty which exist there is much to support the view that the long term trend will be moderately upward for a long while to come. It may well be that the first phase of the postwar readjustment up-

ward in interest rates and bond yields was completed in the early part of this year, and we certainly should make allowance for the probability that the movement of yields and rates may be downward in periods when demand for credit is light and when the Government is an active borrower but these are apt to be temporary interruptions in the longer upward trend.

This view presumably is shared by a number of experts who participated in an informal poll which I conducted. I asked 28 of the nation's leading students of investment trends to tell me whether they thought that five years from now yields on long governments, on long high-grade corporates, on mortgages, and on treasury one-year certificates would be lower, about the same, up moderately, or up substantially, and their views are summarized in the table above.

The consensus is that a few years from now interest rates and bond yields will be higher than they are today but the increase from present levels will in general be moderate for government long-term securities. If more than moderate increases in rates occur, they are more likely on mortgages, high grade corporate bonds and short governments than on long governments.

(Continued on page 8)

A Report of MBA's Mortgage Banking Seminar

By SECRETARY GEORGE H. PATTERSON

YOUR national association has just successfully completed what I believe is one of the most worthwhile and constructive activities it has ever undertaken—a project which your officers are certain represents a real and vital contribution to better mortgage lending. It was our first Mortgage Banking Seminar June 21 to 25 at Northwestern University. To fully appreciate its real significance, one would have had to be there and see and hear what was done and said. Every MBA member, I feel sure, would have been proud that an organization with which he is identified takes the welfare and advancement of his business so seriously. What the nearly 150 Seminar students received at the five days' sessions was factual and authoritative; and in mortgage lending offices in 33 states and Canada, practices, methods and procedures will be the better for it.

A particularly gratifying development was the large number of young men



John C. Thompson



George H. Patterson

and women, a great many veterans of the war, who attended the Seminar.

It was especially pleasing to see the keen, alert young men who are entering our business; and after talking with them for a week, I was well convinced that mortgage lending is attracting the very best of the coming generation. And "coming" is a good word to use

for the type of students we were privileged to serve because they all seemed to be comers in the sense we use the term in the business world.

MBA had long wanted to inaugurate an educational course of this kind—one primarily for younger men in this business—and would have done so earlier had not the war interfered. Primarily we wanted to provide a short course where a young man could get a comprehensive briefing in all phases of mortgage lending. Our Seminar gave them just that—appraising, VA and FHA procedure, mortgage law, acquiring new business, construction loans, correspondent relationships, credit reports, etc.

Nothing like it was offered anywhere else. We felt a responsibility to the industry and to the public to make something of this sort available.

Naturally we had no precedent to



A view of the Seminar on opening day. Seated, extreme left, is Byron V. Kanaley, MBA president in 1945-46 who officially opened the course for the Association. He told Seminar students that the

course represented the realization of plans long in the making and that he hoped it was the beginning of a continuing effort on behalf of better mortgage banking.



OSCAR

Abbott Hall, where Seminar men students were quartered, proved to be an attractive place to stay. Facing Lake Michigan, it is a new, modern building with expansive lounges, recreational facilities and hotel conveniences. Left photo, left to right, shows John F. Gertis and Chauncey H. McCann,



The Great-West Life Assurance Co., Winnipeg; H. J. Cummings, president of The Minnesota Mutual Life Insurance Company, St. Paul; and L. C. Forth, The Sun Life Assurance Co. of Canada, Montreal. The shirt sleeves are explained by the hot, humid weather that plagued most of the Seminar.

follow in setting up this first Seminar. We secured the best faculty we could find, partly from the great universities and partly from successful institutions in our field—the mortgage correspondents, life companies, title companies and banks. It is a pleasure to record here in reporting the Seminar that they all proved excellent choices and MBA is deeply indebted to each one for his contribution.

We were especially fortunate in our organizing and administrative personnel. President Thompson gave the Seminar a high priority on his program

H. J. Ludington & Company, Rochester, N. Y.; Bernard A. Epter, Lawrence A. Epter & Associates, Inc., New York City; and S. Marshall Gorson, Fidelity Bond and Mortgage Company, Philadelphia.

Canada was represented at the Seminar. Right photo, left to right shows W. A. Joyce,

for this year. My colleague in the national office, Frank J. McCabe, director of education and research, did an excellent job of organization and planning; and we were especially fortunate in having one of the best committees possible. It was headed by Norman H. Nelson, St. Paul as chairman and included Thomas J. Purcell, Robert L. Pease, and William L. Leighly, Chicago, and Willis R. Bryant, San Francisco. No single group of MBA members ever worked so hard or put so much conscientious effort into an activity as did this one. They have

pointed the way for what must surely be an annual effort of this kind.

Too much cannot be said for the excellent cooperation of Northwestern University. This school, as everyone knows, is one of the great educational institutions in the world. Their facilities for our Seminar proved ideal and the high calibre of their faculty left nothing to be desired.

Next year we will do it again—same place and the opening date June 20. Some of our plans will be changed. One of them is the assembly room. This year our Seminar dates happened



OSCAR
CHICAGO

Left photo, the camera goes upstairs to the living quarters of Abbott Hall and finds, left to right: Kenneth C. Young, Eberhardt Co., Minneapolis; Mark V. Overmyer, Lincoln National Bank & Trust Company, Ft. Wayne, Ind.; Edwin H. Hasse, Ft. Wayne National Bank, Ft. Wayne, Ind.; and H. A. Kersten, H. G. Woodruff, Inc., Detroit.

Seminar students at times may have concluded that they were being asked to absorb an incredible amount of facts, figures, opinions and views on what makes the business go; but there were some informal get-togethers. Right photo shows one in Abbott Hall main lounge with (left to right, clockwise around the table) George H. Dovenmuehle, Jr., and Richard L. Airey, both of Dovenmuehle, Inc., Chicago; N. Holland Jewett, Hill Mortgage Corp., Buffalo; Ott Thompson, Connecticut General Life Insurance Company, Hartford; and Robert Stritch, Dovenmuehle, Inc., Chicago.

to parallel some particularly hot and humid days, the like of which we do not have too frequently in July and August. Next year we will meet in the Social Room of Thorne Hall, directly across the street from Abbott Hall, and air conditioned. It can be set up in the same school room style we follow in MBA clinics and we can accommodate as many students.

And, as is only natural, we learned considerable from the subjects and length of time allocated to each. At the end of the Seminar each student graded the lectures according to what value he attached to each. We found for instance that some of them would have liked more time devoted to certain aspects of the business and not so much to others. (I might say here parenthetically that every session was almost 100 per cent attended. Every student seemed anxious to hear every speaker.)

So next year we will know more about how to allocate our time to individual topics.

Probably the most gratifying single development of this MBA effort was the thanks from the students themselves at the end of the course. The sincerity of their expressions plainly indicated that they had gotten a great deal out of it. I think MBA has done something very constructive for the future of our business and next year it can and will be even better.

**Some of the
MBA Firm
Members
Who Helped
Make
the Seminar
a Success**



Aksel Nielsen



Paul J. Vollmar



Robert E. O'Dea



Thomas J. Purcell



Robert Kratovil



O. L. Rieder



Walter Gehrke



John Tredwell



Frank D. Hall



Roland A. Benge



Fred Chapman



The Seminar and Administrative staff: MBA Secretary George H. Patterson, Willis R. Bryant, San Francisco; Norman H. Nelson, St. Paul, committee chairman; W. L. Leighly,

Chicago; Frank J. McCabe, MBA director of education and research; and Robert L. Pease, Chicago. Thomas J. Purcell, Chicago, is the committee member missing from this photo.



Most decorative feature of the Seminar was the presence of four attractive young women students. Left to right: Mary E. Barrett, McFarland & Kennedy, Inc., Omaha; Rita

Hamm, Provident Trust Company, Pittsburgh; Jane Long, Seay & Thomas, Chicago; and Helen Lynskey, Hogan & Farwell, Inc., Chicago.

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JULY, 1948

SUMMER OUTING SEASON

Detroit Mortgage Bankers Association members, flushed with the success of their Spring Clinic, held a Summer Clinic June 10 at Forest Lake Country club. "Golf panels" were followed by a session in the tap room and then a steak dinner.

Chicago Mortgage Bankers Association members had the same idea June 22 at Medinah Country Club. Golf and the annual softball game between correspondents and bankers featured the day which was followed by the usual preliminaries to a steak dinner. JOE DAY, ART DRAPER, III, RAY GRAHAM, WALLY GROTH, JOE PANERALI, TOM PURCELL and WILBUR PILGRIM comprised the outing committee.

Cincinnati Mortgage Bankers Association members went over into Kentucky for their annual outing. Harry Niemeyer was chairman of the arrangements committee which included Carl Albertz and E. R. Stevenson.

STRUDBE NAMED IN MIAMI

Frank Strubbe has been elected president of the Mortgage Bankers Association of Greater Miami and I. Quintana has been named vice president. R. S. Kistler was named secretary and treasurer.

MAUDE HEADS MUTUALS

William L. Maude, president, Howand Savings Institution, Newark, has been elected president of the National Association of Mutual Savings Banks. He has been active in MBA and has addressed previous meetings.

Credit and Type and Marketability of Plant First Considerations in Industrial Loans

DURING the past two or three years, more and more lending institutions have been looking to the industrial property for security for their conventional loans. Many small manufacturing concerns have changed over from the cost-plus to a competitive production basis and have found the need of more working capital and larger inventories.

Better loans through better appraisals has been the theme of a series of articles prepared by the Appraisal Committee of the Chicago Mortgage Bankers Association and which have appeared in these pages. Here is a recent one.

With competition becoming more prevalent, the cost of production becomes all important and, accordingly, the 1-story, modern industrial plant in most types of businesses is a prime factor in reducing cost of goods. The trend has been away from the multi-storied buildings for many years and will continue because of the many advantages of this type of plant. The old multi-storied building, however, still has a place in the industrial picture and even the special purpose building such as the flour mill, the brewery, the grain elevator, etc.

Therefore, what precaution should the lender take in considering these various types of security? The main points to consider are credit and type and marketability of the plant.

Credit is the first consideration and will include a survey of pre-war earnings, as well as present and future prospects, management and the product of the company.

Your appraiser's report will be the greatest aid in considering the second point—the loanable security or plant. Industrial properties fall into three general classes: 1. The modern 1-story plant; 2. The multi-storied building; and 3. The special purpose factory.

Much can be said as to the merits of the 1-story, horizontal operation and here are a few of the outstanding features. A modern 1-story plant usually

has first-class office space, a cafeteria or restaurant, good restroom and toilet facilities, and excellent lighting. It also has wide span bays, unlimited floor load capacity, good ceiling heights, and modern heat distribution. Location and transportation are also important and parking facilities within the plant area are becoming more and more essential. This type will naturally bring the higher value and at the least risk due to its acceptance by the majority of industrial users. The loan value sought by the lender should not be the *price* at which the property would sell today, but the *long-term value* usually determined by capitalization of stabilized rental after proper allowance for vacancy and operating expenses (taxes, insurance, leasing fee, repairs and maintenance, etc.).

The reproduction cost of the improvement should also be estimated by the appraiser, both at a current figure without any allowance for premiums and a stabilized cost estimate if the appraiser is of the opinion that costs will recede within the next few years. In any event, the appraiser should explain his cost approach.

The multi-storied building will follow the same general outline as the 1-story plant, except that the average multi-storied building will command a lower rental and have a shorter useful life. Also the capitalization rate will be higher, as well as vacancy allowance. The choice of the capitalization rate and the remaining life expectancy are the most important factors because of the greater risk and unknowns which accompany this type of property.

The special purpose industrial property is the type where *credit* is the prime consideration and the *improvement* is secondary. With this type of assignment the appraiser should estimate the cost of reproduction of the building and accrued depreciation and arrive at his valuation by the summation approach. The income approach is of little consequence because of the appraiser's limited knowledge of the proper rental which would apply to the special purpose improvement and the limited number of typical users.

LIFE COMPANY INVESTMENTS

Net Rate of Interest Earned by Life Firms on Their Investments Hits New Low in 1947

With practically all of the experts polled by Mr. SHIELDS (*see leading article this issue*) predicting higher yields from mortgages and high-grade corporate bonds, last year may well have represented the low point in returns from life company investments.

The net rate of interest earned by the life companies on their invested funds last year dropped to a new low of 2.88 per cent.

The 1947 earnings rate compares with 2.92 per cent in 1946 and 3.07 per cent in 1945; it is one-fifth less than the rate in pre-war 1940 and nearly one-half less than that earned in 1925.

THE MORTGAGE BANKER inquired of the Institute of Life Insurance what the composite figure was for mortgages alone but found it is not available.

"Unusual as it may seem," V. HOLMAN, director of statistics and research of the Institute, said, "the earning rate on mortgages, either as a group or broken down by city and farm, is not available on a businesswide basis.

"The formula used to arrive at 2.88 per cent on all investments does not involve an analysis by type. A few companies keep detailed information on their own transactions, but we do

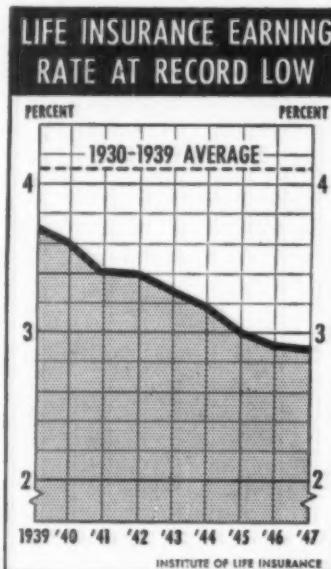
MORTGAGE INTEREST RATES

(Continued from page 3)

It should be stated that the views I received in the poll were subject to many qualifications. For example, it was granted by most of those whose opinions were obtained that were the nation at war, or engaged in a greatly increased armament program, or were the country to be in a depression, interest rates and bond yields might not be higher than they are today; and, if so, very moderately indeed. But the preponderance of opinion is that during periods of active business the demand for funds is likely to be so substantial that the pressures will be upward on the whole interest rate structure.

not have any composite figures for all companies in this area."

"The investment earning rate of the life insurance business has been declining almost continuously since 1925," the Institute comments, "and the decline continued through 1947, even though the companies had begun to



place more funds in investments with higher than average yields and the interest rate structure as a whole had begun to turn up slightly.

"The life insurance companies are exerting every possible effort to improve their earnings position* and in the past year made some progress in developing better yield investments. Their entry into real estate as an investment is one example and their greater investments in stocks is another. But there are offsetting factors.

"For instance, the reduced yield available under large volumes of utility and industrial bond refundings has been a factor. In addition, investment expenses were higher last year. Also,

*This year city loans are leading the list of new life company investments. In the first five months of 1948, 42 principal companies placed \$815,786,004 in city loans. That was nearly 30 per cent of the \$2,734,068,844 total of new investments in this period.

LIFE FIRMS INVEST MORE IN REAL ESTATE IN 1947

Just how widely the life companies have taken hold of the sell-lease idea is revealed in data now available for 1947.

The life companies last year sold \$79,000,000 of real estate, but purchases of \$205,000,000 of other real estate more than offset the sales, resulting in an increase in total holdings to \$838,000,000.

Holdings of real estate other than farms, home office properties and properties held for investment, were reduced during 1947 to \$110,000,000, the lowest point since 1929, and \$38,000,000 of these were under contract of sale. This left only \$72,000,000 of these city properties held outright at year end.

The life companies' holdings of farm properties, of which more than a billion dollars worth had been foreclosed during the pre-war depression, were reduced to \$77,000,000 at year-end and all but \$14,000,000 of these were under contract of sale.

In the past three years alone, these companies have sold more than \$500,000,000 of real estate. Since 1929, their real estate sales have approximated two billion dollars.

This was the first year that total real estate holdings of the life companies had increased since 1937, the upturn being due to increased purchases of real estate for investment purposes. During 1947, \$53,000,000 was added to their rental housing investments and \$122,000,000 to their non-housing rental properties, bringing total holdings of these two types combined to \$379,000,000 at year end.

While mortgage holdings have increased materially in the past two years, a large part of the increase is accounted for by VA mortgages which is one of the many factors in reducing the over-all mortgage yield. In time, of course, the effect of such readjustments will have run its course and continued investment of new funds at a better yield might be expected to raise the over-all earning rate of invested funds."

